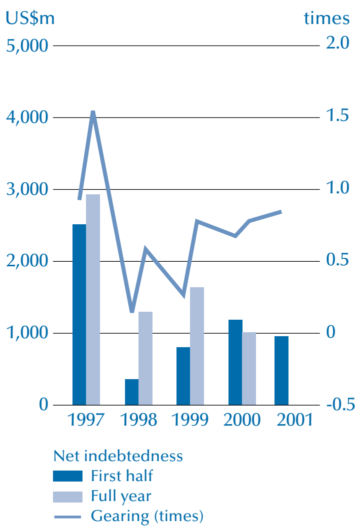


LIQUIDITY AND FINANCIAL RESOURCES

CONSOLIDATED NET INDEBTEDNESS AND GEARING BY OPERATING COMPANY

	At 30 June 2001			At 31 December 2000		
	Net indebtedness/ (cash)[i] *US$m*	**Net assets/ (liabilities) *US$m***	**Gearing *times***	Net indebtedness/ (cash)[i] *US$m*	Net assets *US$m*	Gearing *times*
Head Office[ii]	**242.7**	**1,474.7**	**0.15**	150.0	1,500.1	0.10
Indofood	**426.8**	**239.3**	**1.78**	494.5	271.6	1.82
Berli Jucker[iii]	**52.9**	**146.5**	**0.36**	70.4	148.5	0.47
Darya-Varia	**(1.3)**	**7.6**	**–**	(1.6)	10.9	–
Infrontier	**0.4**	**(9.3)**	**–**	–	–	–
Metro Pacific[iv]	**247.3**	**1,176.7**	**0.21**	303.1	1,287.9	0.24
Consolidated before goodwill reserve	**968.8**	**3,035.5**	**0.32**	1,016.4	3,219.0	0.32
Goodwill reserve	**–**	**(1,897.3)**	**–**	–	(1,913.9)	–
Consolidated after goodwill reserve	**968.8**	**1,138.2**	**0.85**	1,016.4	1,305.1	0.78

ASSOCIATED COMPANIES

	At 30 June 2001			At 31 December 2000		
	Net indebtedness *US$m*	**Net assets/ (liabilities) *US$m***	**Gearing *times***	Net indebtedness *US$m*	Net assets/ (liabilities) *US$m*	Gearing *times*
PLDT[v]	**3,280.4**	**1,681.6**	**1.95**	3,730.3	1,746.1	2.14
Escotel	**192.5**	**(65.1)**	**–**	176.6	(46.0)	–

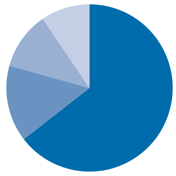
(i) Includes pledged deposits and excludes inter-company indebtedness.
(ii) Head Office's gearing increased principally as a result of the US$90.0 million advance made to Metro Pacific.
(iii) Berli Jucker's gearing improved due to cash generated from operations.
(iv) Metro Pacific's gearing improved mainly because of the repayment of convertible bonds in April 2001.
(v) PLDT's gearing improved as a consequence of the deconsolidation of Piltel in June 2001.

The maturity profile of consolidated debt is summarized below. The change to the debt maturity profile principally reflects the fact that the Head Office's US$267.9 million convertible bonds (due March 2002) and Indofood's US$200.0 million bank loan (due June 2002) are now due within one year.

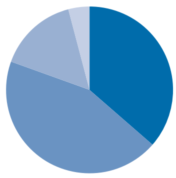
MATURITY PROFILE OF CONSOLIDATED DEBT

	At 30 June 2001 *US$m*	At 31 December 2000 *US$m*
Within one year	**831.6**	526.1
One to two years	**190.2**	637.1
Two to five years	**144.2**	221.7
Over five years	**123.1**	59.7
TOTAL	**1,289.1**	1,444.6

Maturity profile of consolidated debt - 30 June 2001



Maturity profile of consolidated debt - 31 December 2000



The maturity profile of the borrowings of the Group's associated companies follows. The change to the debt maturity profile of PLDT primarily reflects the deconsolidation of Piltel with effect from 27 June 2001. The improvement in Escotel's maturity profile reflects the impact of the debt refinancing that was completed in March 2001.

ASSOCIATED COMPANIES

	PLDT		Escotel	
	At 30 June 2001 *US$m*	At 31 December 2000 *US$m*	**At 30 June 2001 *US$m***	At 31 December 2000 *US$m*
Within one year	**316.4**	340.4	**59.4**	91.9
One to two years	**619.2**	657.3	**10.1**	24.3
Two to five years	**1,595.6**	1,518.3	**103.9**	45.9
Over five years	**867.4**	1,407.9	**22.1**	16.4
TOTAL	**3,398.6**	3,923.9	**195.5**	178.5

CHARGES ON GROUP ASSETS

Certain bank loans and overdrafts included within consolidated borrowings are secured by certain of the Group's property and equipment, interests in subsidiary companies, trade receivables and inventories.

FINANCIAL RISK MANAGEMENT

FOREIGN CURRENCY RISK

(A) Company risk

First Pacific is exposed to foreign currency fluctuations arising from its portfolio of investments. As all Head Office debt was denominated in U.S. dollars at 30 June 2001, this exposure relates mainly to the receipt of cash dividends, and to the translation of non-U.S. dollar investments in subsidiary and associated companies. The Company actively reviews the potential benefits of hedging based on forecast dividend flows.

The Company does not actively seek to hedge risks arising from foreign currency translation of investments in subsidiary and associated companies due to their non-cash nature and the high cost associated with such hedging. Accordingly, First Pacific is exposed to the impact of foreign currency fluctuations on the U.S. dollar value of its investments.

The following table illustrates the estimated impact on the Company's adjusted net asset value (NAV) for a 1.0 per cent depreciation against the U.S. dollar of the currencies in which the equities of subsidiary and associated companies are quoted.

Company	Effect on adjusted NAV *US$m*	Effect on adjusted NAV per share *HK cents*
PLDT	(5.7)	(1.42)
Indofood	(3.3)	(0.82)
Metro Pacific	(1.3)	(0.32)
Berli Jucker	(0.9)	(0.22)
Darya-Varia	(0.2)	(0.05)
TOTAL(i)	**(11.4)**	**(2.83)**

(i) The NAV of the Group's investment in Escotel is based on the historical U.S. dollar cost and accordingly any depreciation of the rupee would not affect the Company's adjusted NAV.

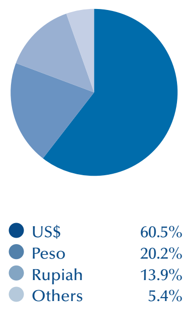
(B) Group risk

First Pacific's policy is for each operating entity to borrow in local currencies where possible. However, it is often necessary for companies to borrow in U.S. dollars which results in a translation risk in their local currency results. A summary of consolidated net indebtedness by currency follows:

CONSOLIDATED NET INDEBTEDNESS BY CURRENCY

	US$ US$m	Peso US$m	Rupiah US$m	Baht US$m	Other(i) US$m	Total US$m
Total borrowings	779.9	260.8	178.7	12.6	57.1	**1,289.1**
Cash and bank balances(ii)	(147.8)	(21.3)	(136.7)	(14.4)	(0.1)	**(320.3)**
NET INDEBTEDNESS/(CASH)	**632.1**	**239.5**	**42.0**	**(1.8)**	**57.0**	**968.8**
Representing:						
Head Office	242.8	–	–	–	(0.1)	**242.7**
Indofood	382.9	–	43.3	–	0.6	**426.8**
Berli Jucker	–	–	–	(1.8)	54.7	**52.9**
Darya-Varia	–	–	(1.3)	–	–	**(1.3)**
Infrontier	(1.4)	–	–	–	1.8	**0.4**
Metro Pacific	7.8	239.5	–	–	–	**247.3**
NET INDEBTEDNESS/(CASH)	**632.1**	**239.5**	**42.0**	**(1.8)**	**57.0**	**968.8**

Analysis of total borrowings by currency

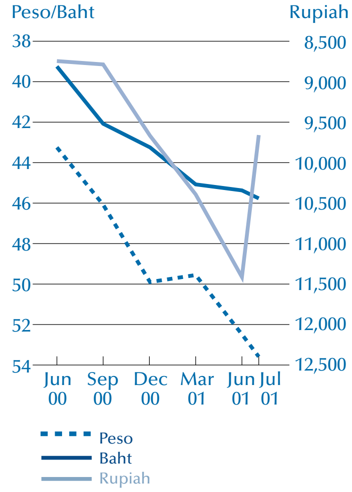


ASSOCIATED COMPANIES

	US$ US$m	Peso US$m	Rupiah US$m	Baht US$m	Other(i) US$m	Total US$m
PLDT	2,893.5	230.2	–	–	156.7	**3,280.4**
Escotel	77.0	–	–	–	115.5	**192.5**

(i) For Berli Jucker and PLDT, "other" represents Japanese yen. For Escotel, "other" represents Indian rupee.
(ii) Includes pledged deposits.

Key regional currency closing rates against the U.S. dollar



During 2001, Indofood and Metro Pacific paid down their U.S. dollar denominated net indebtedness by US$34.5 million and US$59.1 million respectively in order to reduce their exposure to movements in exchange rates.

PLDT's U.S. dollar denominated net indebtedness decreased principally as a result of the deconsolidation of Piltel in June 2001 and increased utilization of peso borrowings to refinance U.S. dollar debt.

As a result of the relatively large unhedged U.S. dollar net indebtedness, particularly at PLDT, the Group's results are sensitive to fluctuations in U.S. dollar exchange rates. The following table illustrates the estimated impact, arising from unhedged U.S. dollar net indebtedness, on the Group's reported profitability for a 1.0 per cent depreciation of the principal operating currencies of subsidiary and associated companies against the U.S. dollar. This does not reflect the indirect impact on the Group's operational results as a consequence of changes in local currency revenues and costs due to fluctuations in U.S. dollar exchange rates.

	Total US$ exposure *US$m*	Hedged amount[i] *US$m*	Unhedged amount *US$m*	Profit impact of 1% currency depreciation *US$m*	**Group profit impact[ii] *US$m***
PLDT	2,893.5	(223.4)	2,670.1	(26.7)	**(4.4)**
Metro Pacific[iii]	97.8	(12.0)	85.8	(0.9)	**(0.5)**
TOTAL PHILIPPINES	2,991.3	(235.4)	2,755.9	(27.6)	**(4.9)**
Indofood[iii]	472.6	(343.0)	129.6	(1.3)	**(0.4)**
Darya-Varia[iii]	8.8	–	8.8	(0.1)	**(0.1)**
TOTAL INDONESIA	481.4	(343.0)	138.4	(1.4)	**(0.5)**
Escotel (India)	77.0	(54.0)	23.0	(0.2)	**(0.1)**
Head Office[iv]	242.8	–	242.8	–	**–**
Infrontier	(1.4)	–	(1.4)	–	**–**
TOTAL					**(5.5)**

(i) Excludes the impact of "natural hedges".
(ii) Net of tax effect.
(iii) Includes inter-company funding from Head Office of US$90.0 million for Metro Pacific and US$8.8 million for Darya-Varia, and premium payable on hedging contracts of US$89.7 million for Indofood.
(iv) As the Group reports its results in U.S. dollars, unhedged U.S. dollar debt at Head Office carries no exchange exposure.

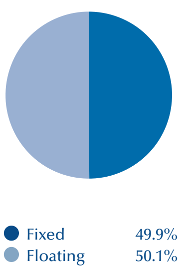
INTEREST RATE RISK

The Company and the majority of its operating entities are exposed to changes in interest rates to the extent that they impact the cost of variable rate borrowings. An analysis of consolidated net indebtedness and interest rate profile, together with details for associated companies, follows:

CONSOLIDATED

	Fixed interest borrowings *US$m*	Variable interest borrowings *US$m*	Cash and bank balances[i] *US$m*	**Net indebtedness/ (cash) *US$m***
Head Office	317.9	–	(75.2)	**242.7**
Indofood	239.1	389.7	(202.0)	**426.8**
Berli Jucker	0.6	66.7	(14.4)	**52.9**
Darya-Varia[ii]	0.2	–	(1.5)	**(1.3)**
Infrontier	1.8	–	(1.4)	**0.4**
Metro Pacific[ii]	84.3	188.8	(25.8)	**247.3**
CONSOLIDATED NET INDEBTEDNESS	643.9	645.2	(320.3)	**968.8**

Interest rate profile



ASSOCIATED COMPANIES

	Fixed interest borrowings US$m	Variable interest borrowings US$m	Cash and bank balances US$m	**Net indebtedness US$m**
PLDT	2,278.9	1,119.7	(118.2)	**3,280.4**
Escotel	28.8	166.7	(3.0)	**192.5**

(i) Includes pledged deposits.
(ii) Excludes inter-company funding from Head Office of US$8.8 million for Darya-Varia and US$90.0 million for Metro Pacific.

As a result of variable interest rate debt at a number of operating companies, the Group's results are sensitive to fluctuations in interest rates. The following table illustrates the estimated impact on the Group's reported profitability of a 1.0 per cent increase in average annual interest rates for those entities which hold variable interest rate debt.

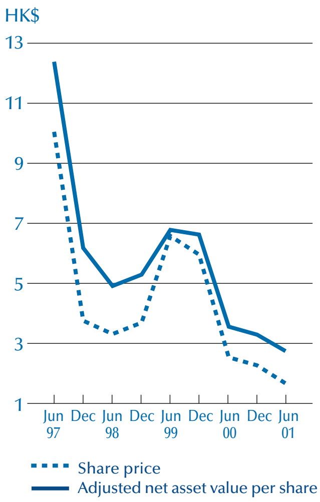
	Variable interest borrowings US$m	Profit impact of 1% increase in interest rates US$m	**Group profit impact[(i)] US$m**
Indofood	389.7	(3.9)	**(1.3)**
Berli Jucker	66.7	(0.7)	**(0.4)**
Metro Pacific	188.8	(1.9)	**(1.0)**
PLDT	1,119.7	(11.2)	**(1.9)**
Escotel	166.7	(1.7)	**(0.8)**
TOTAL			**(5.4)**

(i) Net of tax effect.

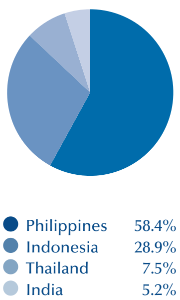
EQUITY MARKET RISK

As the majority of its investments are in listed entities, the Company is exposed to fluctuations in the equity values for those companies in which it has invested. In addition, the value of the Company's investments may be impacted by sentiment towards specific countries or geographical areas.

Share price vs adjusted net asset value per share



Adjusted net asset value by country – 30 June 2001



First Pacific's listed investments are principally in Indonesia, the Philippines and Thailand. Accordingly, in addition to operating factors within the Company's control, the Company also has an equity market risk in respect of general investor sentiment towards those countries. Changes in the stock market indices of Indonesia, the Philippines and Thailand during first half 2001 may be summarized as follows:

	Jakarta Composite Index	Philippine Composite Index	Thailand SET Index
Index at 31 December 2000	416.32	1,494.50	269.19
Index at 30 June 2001	437.62	1,410.07	322.55
Increase/(decline) during first half of 2001	5.1%	(5.7)%	19.8%

ADJUSTED NET ASSET VALUE PER SHARE

The underlying worth of the Group, assessed by computing the adjusted net asset value of each business as determined by its quoted share price (or in cases where a company is not listed, its book carrying cost), is calculated as follows:

	Basis	**30 June 2001 Adjusted NAV *US$m***	**30 June 2001 Invested capital *US$m***	31 December 2000 Adjusted NAV *US$m*
CONSUMER				
Indofood	(i)	**328.1**	**706.6**	353.1
Berli Jucker	(i)	**90.1**	**164.2**	80.6
Darya-Varia	(i)	**20.7**	**52.4**	27.3
TELECOMMUNICATIONS				
PLDT	(i)	**570.1**	**1,247.8**	717.9
Escotel	(ii)	**63.0**	**63.0**	63.0
PROPERTY				
Metro Pacific	(i)	**134.4**	**648.8**	180.1
Savills	(i)	**–**	**–**	39.9
HEAD OFFICE				
– Net indebtedness		**(242.7)**	**(242.7)**	(150.0)
– Other assets/(liabilities)		**98.8**	**98.8**	(8.6)
TOTAL VALUATION	(iii)	**1,062.5**	**2,738.9**	1,303.3
NUMBER OF ORDINARY SHARES IN ISSUE (millions)		**3,139.8**	**3,139.8**	3,139.8
Value per share				
– U.S. dollar		**0.34**	**0.87**	0.42
– HK dollars		**2.64**	**6.80**	3.24
Company's closing share price (HK$)		**1.69**	**1.69**	2.23
Share price discount to HK$ value per share (%)		**36.0**	**75.1**	31.3

(i) Based on quoted share prices applied to the Company's economic interest.
(ii) Based on investment cost.
(iii) No value has been attributed to the Group's telecom investment in Indonesia or other sundry investments.

The market value of the Company's investments has been significantly impacted by the adverse economic and political conditions in Indonesia, the Philippines and Thailand, and as a consequence, has declined significantly below the Company's cost of investment. In accordance with the Company's accounting policies, an impairment review of its portfolio of investments is performed on a regular basis to assess whether any permanent impairment of value has occurred. Provisions for impairment are established, where appropriate, typically on the basis of a market transaction or other independent indicator of fair value.

EMPLOYEE INFORMATION

	2001	2000
	US$m	*US$m*
REMUNERATION		
Basic salaries	**44.7**	83.5
Bonuses	**7.8**	10.7
Benefits in kind	**8.7**	11.4
Pension contribution	**13.3**	7.6
	74.5	113.2

	2001	2000
NUMBER OF EMPLOYEES		
– Average for the period	**50,274**	50,030
– As at 30 June	**51,828**	49,066

For details regarding the Group's remuneration policies for Directors and Senior Executives, please refer to Note 31 on page 87 of the 2000 Annual Report.